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ABSTRACT

This document outlines the strategic plan of the Higher Education Funding Council for England (HEFCE) for the years 2001 through 2006. The mission of the HEFCE is to promote and fund high quality, cost-effective teaching and research, meeting the diverse needs of students, the economy, and society. To achieve this mission, the HEFCE intends to develop and sustain effective partnerships with institutions, employers, other funding bodies, and professional bodies. The HEFCE also plans to advise government and other stakeholders on higher education issues and to help make known the opportunities offered by higher education. The HEFCE also aims to promote and support interaction between higher education and business. To support high quality cost effective teaching and research, the HEFCE will promote high standards of education and research and promote effective financial and human resource management. With regard to diversity, the HEFCE will encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximize achievement for all who can benefit from higher education. The HEFCE also plans to maintain and encourage the development of a wide variety of institutions with a diversity of missions for diverse students. Appendix A contains financial and resource information, and Appendix B charts progress toward key performance targets published in HEFCE's 2000-05 strategic plan. Appendix C is a glossary. (SLD)

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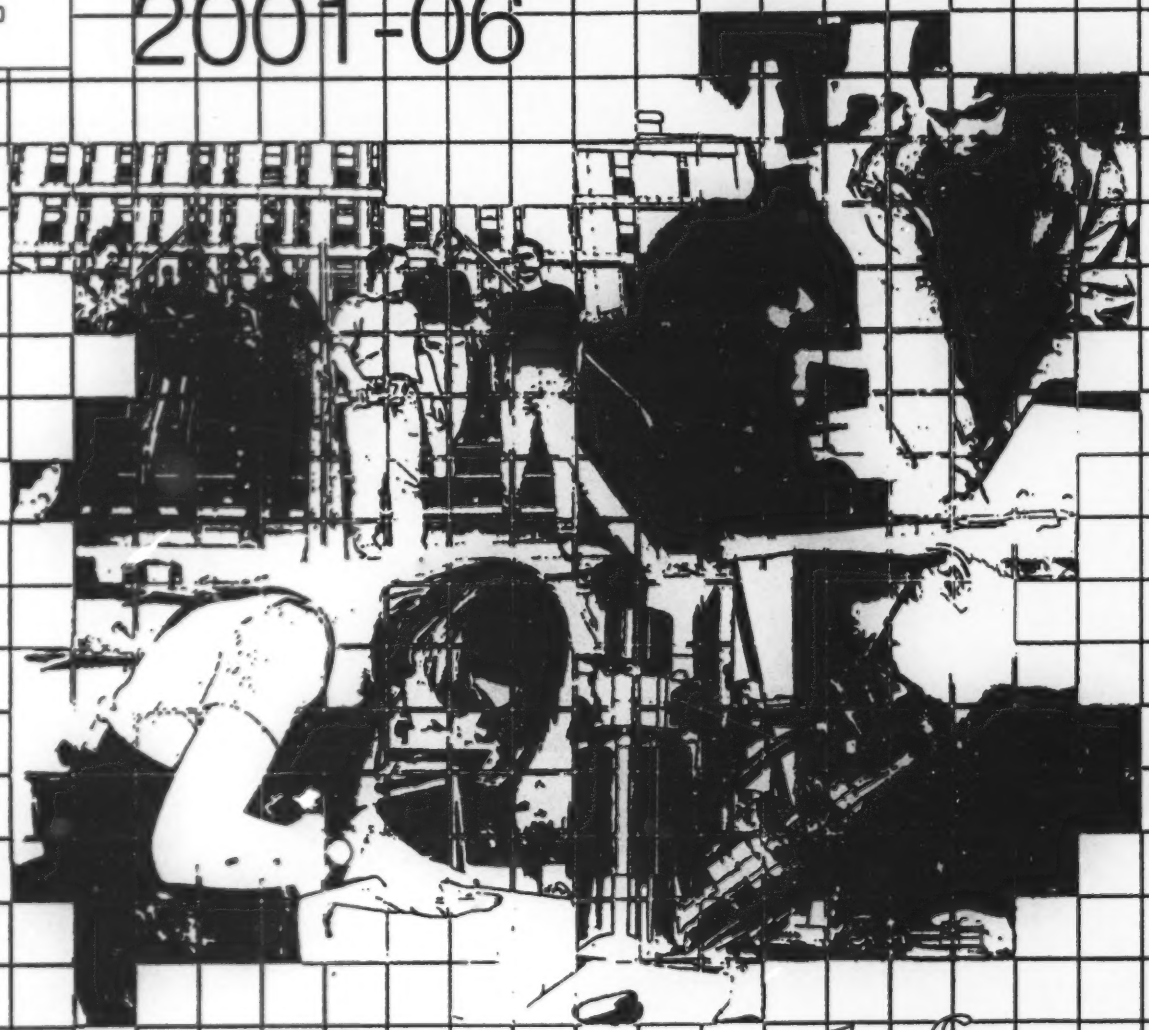
July 01/43 Report

HEFCE strategic plan 2001-06



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HEFCE strategic plan 2001-06

Foreword

Higher education plays a key role in improving our country's economic competitiveness and social fairness. Universities and colleges already deliver high quality teaching and research, attracting large numbers of students from around the world and continually creating new knowledge. The challenge now is not only to maintain and build on existing strengths, but also to welcome innovation and stimulate improvement.

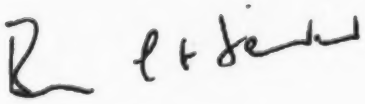
Our strategic plan sets out a radical agenda. It includes the need to widen participation, particularly by students from disadvantaged backgrounds. It seeks to exploit the potential of new technology through initiatives like the e-University. It looks to fund new ways of exploiting teaching and research for the benefit of business and the community.

None of these challenges will be easy – they require vision, imagination and the willingness to change. Nevertheless, I am confident that the diversity of our universities and colleges will ensure a leading role for English and indeed UK higher education.

I recognise that we in the HEFCE need to change also. We need to continually evaluate what we do, making sure that our policies support the efforts of universities and colleges to meet the many demands and expectations they face. That is why we carried out a fundamental review of research policy, and that is why we took seriously the higher education sector's concerns about the increasing cost of accountability processes. Our strategic plan describes how we intend to take forward these and other initiatives for improvement.

This is my last year as Chief Executive. I am proud of the contribution that the HEFCE has made to the vitality of the sector. The credit for this must go to my enthusiastic, dedicated and talented staff. They have helped make my time here as Chief Executive stimulating and often enjoyable. My successor Professor Sir Howard Newby can look forward to working with an excellent team.

The Council prides itself on openness as well as commitment, working with many partners at the institutional and individual level. We welcome any comments they might have on the policies and activities set out in this plan.



Sir Brian Fender CMG
Chief Executive

Our mission

'Working in partnership, we promote and fund high-quality, cost-effective teaching and research, meeting the diverse needs of students, the economy and society.'

Our role

The HEFCE is a non-departmental public body set up under the Further and Higher Education Act 1992. Our primary role is to distribute public funding for teaching and research and related activities in universities and colleges, within the context of the Government's policy for higher education. In addition, we advise the Secretary of State for Education and Employment on the funding needs of the higher education sector.

We also see our role as being to promote and support the development of high-quality socially inclusive teaching and learning within universities and colleges, which are well governed and managed and deliver value for money to students, business, sponsors and other stakeholders.

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Strategic aims

To achieve our mission, we aim to:

Partnership

a. Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.

b. Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.

c. Promote and support productive interaction between HE and business and the community in order to encourage the transfer of knowledge and expertise, and enhance the relevance of programmes of teaching and research to the needs of employers and the economy.

Funding high quality, cost effective teaching and research

d. Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and enhance students' learning experiences and employment prospects.

e. Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.

f. Use consultation, research and benchmarking to increase knowledge and understanding of higher education, and inform policy development.

g. Promote effective financial and human resource management, accountability for the use of public funds, and value for money.

h. Contribute to the healthy development of higher education in this country and overseas by learning from international experience, and helping to promote the reputation of UK higher education abroad.

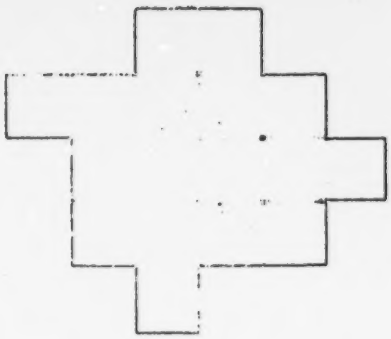
Diversity

i. Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all who can benefit from higher education.

j. Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.

k. Enable our staff to provide a high quality service, within an open and supportive working environment.

Partnership



Strategic aim

Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.

Working in partnership with institutions and the wider community of stakeholders lies at the heart of everything we do and is essential to achieving our mission. We work with representatives of employers and professional bodies directly and indirectly, for example, through membership of our committees and particularly the Research Assessment Exercise (RAE) panels; through our growing links with Regional Development Agencies (RDAs) and other regional partners; and through the delivery of programmes such as Higher Education Reach-out to Business and the Community (HEROBC), and foundation degrees which promote links between higher education institutions (HEIs) and business and the professions.

We work with an increasing number of government departments and other bodies so that higher education can play its full part in supporting regional economic regeneration and development. These partners include:

- the Department for Education and Employment (DfEE) and the Learning and Skills Council on widening access
- the Department of Trade and Industry (DTI) and the Office of Science and Technology (OST) to improve links between higher education (HE) and industry, and to invest in research infrastructure
- the Department of Health to increase the number of medical students
- the Regional Development Agencies.

We are also strengthening our other contacts at regional and sub-regional level. Where appropriate, we encourage collaboration between institutions that will lead to an enhanced student experience, wider opportunities and better value for money.

Through our Restructuring and Collaboration Fund (R&CF), we are supporting an increasing range of collaborative projects. The November 2000 grant letter informed the sector about a further £15 million per year, in addition to the £15 million per year we had already set aside to expand the R&CF, particularly in relation to research restructuring. We are committed to providing accurate performance indicators enabling institutions to benchmark their performance and monitor improvements.

We aim to be open and constructive, promoting a dialogue and consulting widely on all major policy issues. Following our customer satisfaction survey undertaken in 1999-2000 by MORI, we are developing a code of practice to clarify our role and state the standards of service and communications our partners can expect.

Key achievements to date

- The MORI customer satisfaction survey demonstrated that we are, in general, seen by HEIs as having a sound relationship with the institutions we fund, to be working in partnership and to be communicating effectively.
- We are supporting a wide range of collaborative projects by HE institutions. Progress in

implementing those projects is set out in HEFCE publication 00/30: 'Restructuring and Collaboration Fund: Progress Report on Approved Projects in 1999'.

- In 1999-2000 we implemented joint programmes with:
  - the Department of Health on expanding medical intakes by 1,100 places per year
  - the DTI on the HEROBC Fund
  - the OST and the Wellcome Trust on the Joint Infrastructure Fund (JIF).
- In December 1999, we agreed with the Quality Assurance Agency for Higher Education (QAA) and the HE sector representative bodies a format for providing clear and open information in the new QAA framework for academic review at subject level.
- A publications programme in 2000-01 which delivered 60 publications covering all aspects of our work, targeted to ensure that key messages reach the right audiences.

Future outcomes

- A clear understanding of what HEIs and other stakeholders can expect from us, while minimising the burden of information distribution.
- HEIs and appropriate stakeholders to be fully involved in developing our policies and programmes.
- Collaboration between institutions where this demonstrates clear benefits.

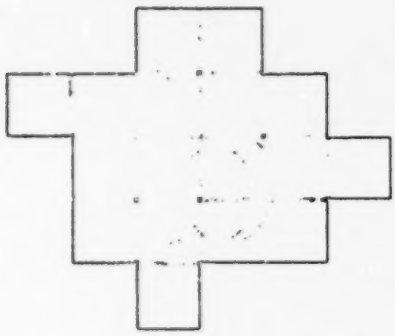
Commitments

- Publish an annual report and other guides explaining the Council's policies, activities and our work with HEIs and partners.
- Publish a code of practice clarifying our role and the standards of service and communications our partners can expect by August 2001.
- Carry out a Customer Satisfaction Survey in 2003-04.
- Through the new quality assurance framework, secure publication of clear and open information on quality and standards as the framework is implemented from January 2002.
- Hold an annual conference for heads of HEIs and an annual meeting for chairs of governors and stakeholders generally.
- Consult on all major initiatives and developments.
- Publish an annual progress report evaluating the effectiveness of projects supported through the R&CF.
- Issue publications that explain all major areas of our activity, with better-targeted distribution of relevant publications to various stakeholders.

Key performance targets

- Meet the standards stated in the code of practice (currently in preparation) for the consultations and special initiative exercises conducted by the Council (or where in exceptional cases that is not feasible give a clear explanation why not).
- Achieve a ratio of overall satisfaction compared with dissatisfaction of at least 6:1, as measured by the customer satisfaction survey.
- Support at least 10 major collaborations per year through the R&CF.

Partnership



Strategic aim

Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.

As a funding body, one of our major roles is to advise Government on the resource needs of higher education. This process is not confined to the periodic inputs to the Government's reviews of public expenditure, but is a continuing activity to ensure Government is kept abreast of higher education's successes and continuing requirements in the fast-developing knowledge economy. The central role that higher education plays in the UK's economic development was recognised in the Government's 2000 spending review.

We aim to be increasingly seen as an authoritative source of knowledge and expertise about higher education and what it can offer its stakeholders. We will actively promote the sector's successes and highlight future challenges through conferences and publications. HEFCE publications will increasingly be disseminated electronically via our web-site.

The Council is playing a major part in developing the Higher Education and Research Opportunities (HERO) internet portal providing information to a wide range of users worldwide about the achievements and opportunities provided by higher education in the United Kingdom. The UK's higher education funding bodies, Research Councils and other agencies have set up HERO Ltd, a company limited by guarantee to own and manage the service.

Key achievements to date

- Provided well-researched, informed and timely advice for the Government's 2000 spending review.
- Launched HERO, working with all UK HE funding bodies, representative bodies, Research Councils and HE agencies.

Future outcomes

- Increasingly we are recognised as an authoritative source of knowledge and advice about HE.
- Increased demand for HE services over the planning period, through better knowledge and awareness.

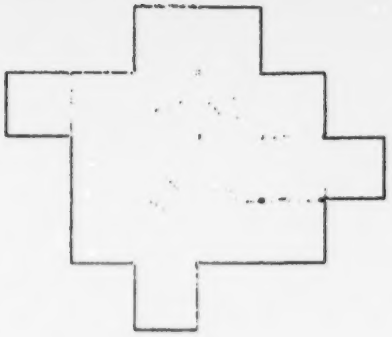
Commitments

- Publish a five-year strategic plan, updated annually.
- Publish an annual report.
- Publish the outcomes of research projects and consultations.
- Improve communications with stakeholders through the internet and help-desks.
- Develop the information service provided through the HERO internet portal.
- Establish a baseline against which the HEFCE web-site usage can be monitored.

Key performance targets

- Increased number of hits of HEFCE web-site by 50 per cent against the 2001-02 baseline by 2006.
- Increased usage of HERO by 350 per cent (from 2001 baseline) by 2006.

Partnership



Strategic aim

Promote and support productive interaction between HE and business and the community in order to encourage the transfer of knowledge and expertise, and enhance the relevance of programmes of teaching and research to the needs of employers and the economy.

A key role for institutions, alongside the provision of teaching and research, is the application of the knowledge, expertise and ideas which they generate and the specialist facilities which they have, in ways which meet the needs of industry and commerce, and to contribute to the development of the economy both regionally and nationally. We believe that there is considerable scope for increasing the volume and impact of interaction between HE and industry and the wider community. We are encouraging institutions to have effective institutional plans, consonant with their mission, to bring it about.

A crucial first step in meeting these aims will be to forge closer, better-informed and more productive partnerships between HEIs, business, the community (both as employers and consumers of expertise) and other agencies. These partnerships should be developed, whether their aim is regional economic development or to provide services in the community, such as the National Health Service (NHS). We aim to promote and support the development of such partnerships. We will also work at the national level with relevant national bodies, including the DTI and the NHS.

HEIs have already done much to meet national needs for skilled manpower as providers of graduates and as a source of updating and retraining for those in employment. More could be done both to equip graduates for their working life and to meet specific manpower and updating needs.

Over the planning period we will promote and support the development of HEI capability in knowledge transfer and the two-way interaction that puts this into effective practice. We aim for all HEIs to recognise the full value of their intellectual and physical assets and to do more to make them accessible, as a core aspect of their missions.

Key achievements to date

- More than 85 per cent of HEIs have a strategy for building their capability to develop links with business and industry. Two rounds of awards via the HEROBC fund have initiated this.
- The July 2000 annual operating statements of HEIs showed that the great majority of them have made good progress in implementing their plans.
- In November 2000 we announced the first 40 prototype foundation degree programmes, creating a stronger link between HE and the world of work.
- The Higher Education-Business Interaction Survey has been undertaken, by questionnaires sent to all UK HEIs. The process has been contracted to consultants under the oversight of a steering group, and analysis of the returns has begun.
- We have secured additional funding to promote reach-out to business and the wider community in collaboration with the OST/DTI from 2001-02.

Future outcomes

- Employability of graduates improves by equipping them with the generic and other skills they will need at work throughout their careers.
- All HEIs review and improve their capability to contribute to economic growth and health of the social economy both regionally and nationally.
- All HEIs increase their non-public income through the application of teaching and research.

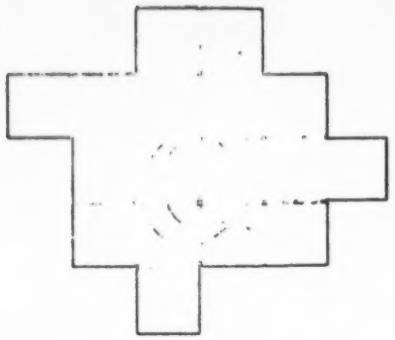
Commitments

- Use existing data sources to produce performance indicators for measuring student employability outcomes, 2000-01.
- Work with the DTI and the OST, to allocate a further £80 million over three years from 2001-02 via the Higher Education Innovation Fund/HEROBC fund.
- Allocate funds from the Teaching Quality Enhancement Fund (TQEF) to support the implementation of institutional learning and teaching strategies that include proposals to enhance the employability of graduates by July 2002.
- Make employability a major criterion for allocation of additional student places for 2001-02.
- Support and assist staff and students working with the community, including voluntary activities, by funding £27 million equally from the Government's Active Community Fund and from HEFCE over the years 2001 to 2004.
- Establish a quantitative baseline for measuring increases in the range and volume of interactions between HE and business. The HE-Business Interaction Survey project began in December 2000 and will provide conclusions in late June 2001.

Key performance targets

- All HEIs to have implemented their plans for enhancing the employability of graduates via TQEF by July 2002.
- Significantly improve the range and volume of interactions between HE and business, in aggregate, against a quantitative baseline to be defined in 2001.
- Successful implementation of 40 prototype foundation degree programmes, offering at least 2,200 places from autumn 2001.

Funding high quality, cost effective teaching and research



Strategic aim

Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and enhance students' learning experiences and employment prospects.

Approximately three-quarters of our grant is allocated for learning and teaching. Since we were established we have always sought to promote the profile of learning and teaching in HE.

Over the planning period we will place emphasis on:

- the continuing implementation of the TQEF
- the development of subject centres and dissemination of good practice and innovation
- an increase in joint initiatives with other agencies, such as the Institute for Learning and Teaching (ILT), other HE funding bodies, the Joint Information Systems Committee (JISC), and the DfEE
- the active encouragement of institutions to implement learning and teaching strategies
- supporting the enhancement of the quality of learning and teaching of HE in further education colleges (FECs)
- working in partnership with the QAA, to implement effective new arrangements for HE quality assurance and a new qualifications framework
- working in partnership with the QAA, to review trends in and improve the quality of HE funded by the Council
- supporting institutions to restructure or enhance their careers services in light of recommendations from the Harris Review of higher education careers services.

Key achievements to date

- Our support for the enhancement of learning and teaching, through the implementation of TQEF, is genuinely inclusive, providing financial support to all HEIs.
- The July 2000 annual operating statements of HEIs show that the great majority of them are making good progress in implementing their learning and teaching strategies.
- We established the Learning and Teaching Support Network with all 24 subject centres being operational by summer 2000.
- Our support for, and commitment to, the ILT has enabled it to exceed its business plan targets. By March 2001 the ILT had recruited 4,494 members and received 5,194 applications. By February 2001 the ILT had accredited 84 staff development programmes.
- Student numbers for 2000-01 were within 2 per cent of the Secretary of State's target.
- The outcomes of QAA subject reviews demonstrate high quality in most institutions across all aspects of learning and teaching.
- We have introduced a separate fund for helping further education colleges develop the quality of their HE programmes.

Future outcomes

- Good practice and developments in learning and teaching are disseminated and embedded; research and innovation in learning and teaching are supported.
- All institutions implement learning and teaching strategies and satisfactorily account for funds in their annual operating statements.
- Expansion of student numbers delivered within planned targets and resources.
- Improvement in institutions' careers service.
- An effective quality assurance procedure for reviewing HE quality and standards.
- A coherent qualifications framework for English HE.

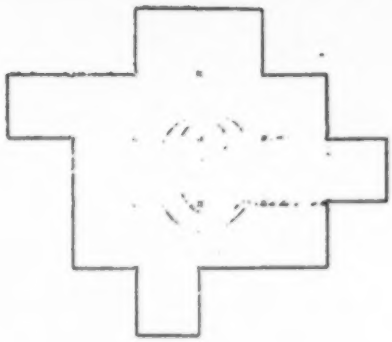
Commitments

- Publish guidance to the sector by July 2001 arising from analysis of learning and teaching strategies. The guidance will be supported with regional seminars by December 2001.
- Award 20 teaching fellowships by July 2001.
- Request bids for the Fund for the Development of Teaching and Learning Phase 4 by July 2001.
- Support the business plan of the ILT over the first five years of operation.
- Commission a development programme to support the enhancement of the quality of HE in FECs by June 2001.
- Support initiatives to restructure and enhance HEIs' careers service.
- Work with Universities UK, the Standing Conference of Principals and the DfEE to ensure that institutions have in place procedures for dealing with student complaints consistent with the Human Rights Act.

Key performance targets

- Eighty per cent of all institutions are evaluated as progressing towards achievement of their learning and teaching strategies target outcomes by July 2002.
- Student numbers in 2001-02 to be within 2 per cent of the Secretary of State's target.
- New quality assurance framework operational in England from January 2002.

Funding high quality, cost effective teaching and research



Strategic aim

Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.

Our aim is to promote the long-term vitality of the research base. We therefore provide a framework for institutions to develop a high-quality research capability. This includes providing funding to support opportunities for collaboration, the development of young researchers, and research into emerging areas. Through investment in the research base we also seek to encourage the enhancement of other educational outputs. We must have a continuing appreciation of the main drivers for improved performance in research. We will encourage an environment in which the dissemination of best practice can be supported and embedded.

We also aim to promote effective partnerships between researchers, educators, institutions, employers and sponsors of research.

We will continue to provide the majority of our research funding as a block grant. In this way we will support institutional autonomy and diversity, allowing institutions themselves to determine the scope and direction of their research activities.

We are pleased that the Government recognised the need to invest in infrastructure in the last spending review by providing additional funding for its enhancement and to begin to address some of the concerns about recruitment and retention of academic researchers. We see this investment in research for the future as an affirmation of the dual support system and a recognition of the quality of UK research which is underpinning the successful transformation that is occurring as HEIs engage with the knowledge transfer agenda.

We will continue to promote research by rewarding quality through the selective allocation of funding in a transparent way. We will continue to provide special funding, for further investment in the research infrastructure, to institutions that can demonstrate high performance and added value.

Key achievements to date

- The recent HEFCE fundamental review of research policy and funding clearly demonstrated the quality and value of UK research.
- We have reviewed the process and procedures for the RAE, recruited and trained the members of the panels and their secretaries, and provided guidance and planned our activities to enable institutions to plan properly for the next RAE. The RAE exercise is on schedule.
- The JISC has a worldwide reputation for delivering high-speed networking and electronic resources to support research, learning and teaching. It is able to call upon an experienced full-time Secretariat and also employs a number of programme managers and co-ordinators in academic institutions to help deliver its mission.
- We have improved electronic network provision to research users by enhancing the Joint Academic Network (JANET) backbone by 300 per cent.
- We supported and assisted the Arts and Humanities Research Board (AHRB) in its transition to a new legal entity.

Future outcomes

- Improved quality of research submitted to the RAE 2001 compared with 1996.
- Improved volume and quality of collaborative research.
- Improved infrastructure funding to meet expanding research needs.
- Improved management network structures and techniques supporting an underlying information environment that will enable academics and students to find, access and disseminate high-quality information resources.

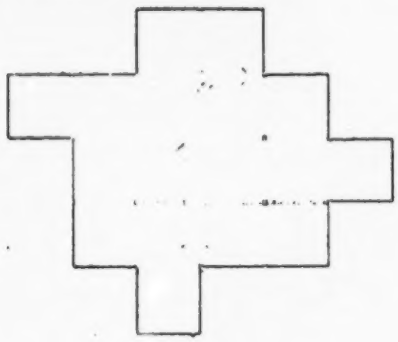
Commitments

- Announce the RAE 2001 results by December 2001.
- Conduct a follow-up bibliometric analysis of submissions to RAE 2001 and publish results in 2002-03.
- Review the impacts and links between charitable funding and research by September 2001.
- Use special funding throughout the planning period, where appropriate, to generate new opportunities for strategic partnerships to enhance the research base.
- Work with the OST to administer the Joint Infrastructure Fund and the Science Research Investment Fund (SRIF) to implement appropriate development of the research base.
- Review the research-funding model to ensure it helps to support appropriate levels of capital investment and research capability by March 2002.
- Implement the outcomes of the fundamental review of Research Policy from 2002-03 as detailed in the publication 'Review of research: report on consultation' (HEFCE 01/17).
- Agree concordat with the Research Councils and other major funders to determine the respective responsibility for research funding, to be published in 2001.
- Develop minimum standards for the provision of HEFCE funding in support of research training by March 2002.
- Review research capacity in veterinary science (proposal June 2001) and nursing (recommendations August 2001).
- Build an on-line information environment providing secure and convenient access to a comprehensive collection of scholarly material.
- Continue to review and provide for an enhanced JANET.

Key performance targets

- An improvement on average between RAE 2001 and the previous exercise in 1996.
- An increase in staff in units rated 5* in RAE 2001 compared with RAE 1996.

Funding high quality, cost effective teaching and research



Strategic aim

Use consultation, research and benchmarking to increase knowledge and understanding of higher education, and inform policy development.

We undertake research and development, both in-house and through commissioned work, for several reasons:

- to inform ourselves and the sector about trends and developments in HE
- to help develop Council policy
- to assist in monitoring and evaluating Council policy.

All significant developments in our policy and practice should be rooted in consultation, and in structured, thorough analysis of the options to achieve desired ends.

Wherever significant new policies are implemented, we will evaluate what these achieve, to satisfy ourselves that we secured the desired outcome and to ensure that we learn from experience.

We will maintain and improve our record on dissemination, looking at the best way to ensure that research findings and examples of best practice reach, and are used by, the relevant practitioners in HEIs.

In carrying out research and development projects we will collaborate with and draw upon the expertise of other stakeholders. We will carry forward work on benchmarking in collaboration with Universities UK and others.

Key achievements to date

- The second set of performance indicators was published in October 2000.
- We consulted on each significant HEFCE initiative introduced in 2000.
- A list of research and development projects commissioned by the Council can be found on our web-site.
- We developed a performance indicator relating to employability and published the data.

Future outcomes

- Institutions are better informed about their performance relative to that of others.
- Better-informed policy decisions

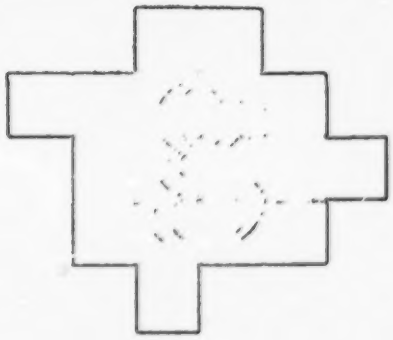
Commitments

- Extend performance indicators on student progression to include students on sub-degree programmes by September 2001.
- Publish the enhanced performance indicators by September 2001.
- Commission research and development studies to inform policy development, to disseminate the outcome of these to HEIs and other stakeholders, and to keep under review the effectiveness and impact of the programme.
- Develop methods to measure the participation rates of entrants by the neighbourhood type of their home background by September 2001.
- Publish the first of a series of reports on the patterns of student progression by December 2001.
- Publish in our code of practice the standards we set ourselves for the conduct of consultation exercises.

Key performance target

- By December 2001 publish the third set of performance indicators including employability outcomes.

Funding high quality, cost effective teaching and research



Strategic aim

Promote effective financial and human resource management, accountability for the use of public funds, and value for money.

HEIs are independent bodies responsible for managing their own affairs effectively and efficiently, while being accountable for the public funds they receive. We are responsible for ensuring that funds provided for teaching and research are only used for those purposes, while promoting value for money. We set out conditions for the use of grants in a financial memorandum and an audit code of practice. We monitor these conditions through financial and statistical surveys and audit visits.

We work in partnership with the sector and individual institutions to help the sector help itself. We provide information, guidance and self-assessment tools so that HEIs can benchmark their own performance against others and prioritise their efforts to improve. The objective is to support HEIs in making the best use of their available resources.

Both HEIs and the HEFCE are accountable to a range of stakeholders. We therefore need transparent and open governance arrangements, published information on matters important to stakeholders, and reliable assurance mechanisms. A condition of the 1998 comprehensive spending review was the implementation of a consistent and transparent research costing methodology. We will continue to work with sector bodies, HEIs, the OST and other funding councils to meet this requirement.

We will work with the sector to ensure that, through these processes, stakeholder confidence is maintained and enhanced, while working with institutions and stakeholders to reduce the burden that accountability arrangements place on institutions.

Key achievements to date

- Produced and promoted the use of self-assessment guidance on institutional strategic planning, estates strategies and effective financial management.
- Delivered the first phase of the Transparency Review of Research.
- The issues around adequate pricing of activities by all HEIs are beginning to be addressed.
- Completed the first phase of a review designed to reduce the burden of accountability and improve stakeholder confidence.
- Introduced a new system for the distribution of capital resources.
- Developed an innovative and well-used procurement web-site and information resource.
- The first round of allocations from the Fund for the Development of Good Management Practice was completed successfully.
- Estates management statistics data for 1998-99 show that 64 per cent of the HE sector's estate is now in categories A and B (as new or sound, or only minor deterioration).

Future outcomes

- An increase in the number of HEIs with effective strategic planning processes, producing plans that are used to manage the institution.
- Institutions to have effective financial management, based on sound financial strategies.
- Improvement in the overall condition of the sector's infrastructure.
- Improved management information for decision making.
- Improved collaborative procurement arrangements across the sector, increasingly built on e-procurement.
- All HEIs to have well-defined equal opportunities policies and monitoring procedures.
- Improved governance and management by HEIs.
- Improved stakeholder confidence in HE, proper accountability for public funds, with a reduction in overall accountability burden on HEIs.

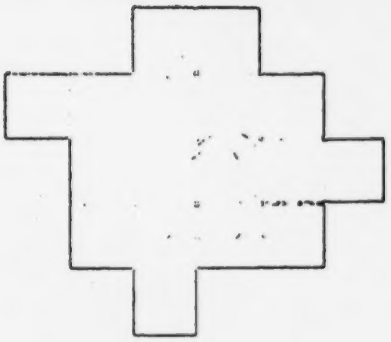
Commitments

- All HEIs to have developed financial strategies, as part of their planning processes, by 2004.
- All institutions to have carried out self-assessment of their financial management practices and will be acting on the outcomes of that process by 2004.
- Develop and implement a second round of teaching project capital by September 2001.
- Implement the poor estates initiative by 2005.
- Issue second set of estates' management statistics by May 2001.
- Work with sector representative bodies to promote improved investment appraisal and procurement process in decision making.
- Meet reporting requirements for Transparency Review of Research funding from July 2001.
- Work through the Joint Costing and Pricing Steering Group to help HEIs improve their pricing of activities within HEIs.
- Work through the Joint Procurement Policy and Strategy Group to improve collaborative procurement among HEIs and to develop e-procurement.
- Allocate £330 million over three years to 2003-04 to improve staff management processes, including staff recruitment, retention and development.
- Develop an Equality Challenge Unit to help the sector deliver improvements in equal opportunities monitoring and performance, producing its first operating plan in 2001.
- Identify and disseminate good management practice through the allocation of a second round of projects under Fund for the Development of Good Management Practice by May 2001.
- Develop and disseminate value for money studies, good practice guides, self-assessment tools and case studies throughout the planning period.
- A three-yearly cycle of audit visits within an agreed accountability framework covering all stakeholders.

Key performance targets

- By 2004, 75 per cent of all the sector's estate will be classified as A or B.
- All HEIs to meet reporting requirements of transparency review for 1999-2000 in July 2001 and 2000-01 in January 2002.
- Twenty per cent of purchases to be made through Procureweb and other collaborative projects by end 2003.
- All HEIs to have comprehensive equal opportunity policies and monitoring procedures in place by 2002.
- All HEIs to be implementing human resource strategies from autumn 2001.

Funding high quality, cost effective teaching and research



Strategic aim

Contribute to the healthy development of higher education in this country and overseas by learning from international experience, and helping to promote the reputation of UK higher education abroad.

As a national body, representing a major interest in higher education in England and the UK, the Council will undertake to serve the interests of higher education internationally.

We undertake international collaboration and development work for several reasons:

- to increase our understanding of higher education trends and issues by learning from the experience of overseas providers and funders
- to influence the development of policies overseas that could benefit UK higher education, by participating in research, development, collaboration and other relevant activities
- to promote the achievements and qualities of the UK higher education sector by providing the same objective information overseas as we do in the UK
- to compare UK higher education performances with that overseas.

In all these areas we will carry out our work in the spirit of co-operation and collaboration with our national and international partners.

Key achievements to date

- Extended our international collaborative programmes leading to a strengthening of international collaboration and wide-ranging contacts (as detailed in the 1999-2000 HEFCE Annual Report).
- Responded to an increasing demand for information on UK higher education and the Council.
- Commissioned a number of research projects examining international comparisons with UK performance (for example, research funding by the research policy review team).
- Received an increasing number of visitors to the Council.
- Represented the interests of UK higher education overseas by speaking at international conferences and participating in relevant activities abroad.

Future outcomes

- Better-informed policy decisions, taken in the context of international developments.
- An increased contribution to the internationalisation of UK higher education.
- An increased contribution to improving the UK higher education sector's standing and esteem abroad.

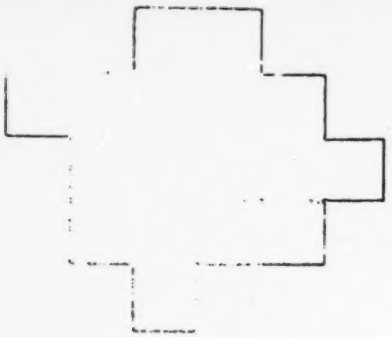
Commitments

- In collaboration with other UK and international organisations, conduct and commission research and development projects taking account of international higher education practice and experience.
- Undertake and encourage joint collaborative activities and participate in other relevant international events and activities.
- Through our funding policies, provide support to targeted initiatives that contribute to a greater internationalisation, including in the EU, of UK higher education.
- Continue to discuss with other national partners ways that we can increase mobility and the UK's current market share of overseas students from outside the EU.
- Encourage institutions to include an international dimension in their strategic planning.
- Receive overseas visitors and provide appropriate information on the achievements and qualities of higher education.
- Allocate up to £5 million for the planning period to targeted international collaboration that supports our strategic aim and objectives.

Key performance target

- Establish six collaborative programmes in strategic countries involving ourselves and other appropriate national partners, by 2004.

Diversity



Strategic aim

Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all who can benefit from higher education.

We are promoting wider participation in HE and lifelong learning through policies and activities, such as our teaching funding method, the allocation of student numbers, and special funding programmes.

We will support and encourage universities and colleges in working to make higher education more accessible and socially inclusive, and we will continue to monitor the provision by institutions for students with disabilities. We will support institutions' efforts to improve student retention and achievement through our funding methods and by encouraging and disseminating good practice.

We will publish an evaluation of our overall strategy for widening participation in 2002. This will inform the nature of our longer-term commitment to widening access to, participation in, and progression from higher education.

We will encourage and enable institutions to develop and deliver flexible provision to meet the needs of lifelong learners. We will help institutions to deliver the Government's National Education and Training Targets for lifelong learning.

Key achievements to date

- Enhanced our funding methodology to provide supplements for institutions to meet the possible additional costs associated with supporting students from disadvantaged backgrounds or with disabilities. The use of these funds is not prescribed and institutions can use them both to support existing students and to widen participation, although institutions are asked to account for the use of these funds.
- Published institutional performance indicators including indicators of their effectiveness in widening participation.
- Asked institutions to provide us with initial statements of their strategies to widen participation.
- Established an initiative in which we asked HEIs to work in regional partnerships with each other and with other organisations to widen participation.
- Incorporated FECs providing higher education within our funding and quality assurance methods.
- Established a joint initiative with the FEFC to encourage the development of progression routes from FE into HE.
- Appointed a national co-ordination team, Action on Access, to support us in this work.

Future outcomes

- The HE student body as a whole is more representative of the population, and potential students perceive academic ability as the key criterion for entry into HEI.
- Increased effective collaboration between institutions to share and promote good practice in widening participation.
- Higher levels of student retention and achievement.

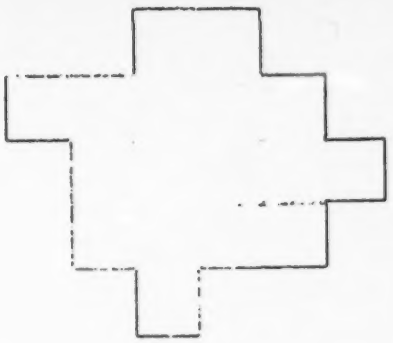
Commitments

- Our funding method will remove disincentives for HEIs to improve the participation by under-represented groups of students.
- Encourage institutions to have appropriate strategies and targets to increase the number of students from under-represented groups in HE underpinned by specific plans designed to help deliver the targets, for example, Excellence Strategy and mature and part-time students.
- As part of our annual funding process, allocate additional student numbers in support of Council and government priorities in widening participation, ensuring priority is given to high quality foundation degrees.
- From 2000-01 onwards support student places for the University for Industry.
- Support through our funding method, options for franchising and collaboration between HEIs and FECs.
- Support partnerships and networks in each region through which HEIs collaborate to widen access and participation.
- Review the impact of collaborative regional projects as part of the evaluation of our overall strategy for widening participation by May 2002.
- Review institutions' indirectly funded partnerships to see how far our codes of practice on collaboration (as published in HEFCE 00/54) have been adopted before the end of the planning period.
- Support institutions, through the allocation of £56 million over the two years 2002 to 2004, to improve access for disabled students and work toward meeting their obligations to students and staff under the Disability Discrimination Act 1995 and the Special Educational Needs and Disability Act 2001.
- Ensure institutions have effective and efficient administration of all forms of access funds by carrying out annual monitoring and auditing.
- Refine and develop our analysis of data on access and participation and on non-completion, to provide all HEIs with robust and reliable data on their performance and comparison with sector averages by May 2001.
- Promote good practice relating to the links between strategic aims for widening participation and learning and teaching.
- Ensure institutions have appropriate strategies and targets to increase retention and achievement of students in HE underpinned by specific plans designed to help deliver the targets (annually from July 2001).

Key performance targets

- Participation by socio-economic groups currently under-represented in HE rises faster than growth in overall numbers between 1999 and 2004.
- Significant increase in the number of HEIs using performance indicators in order to set widening participation targets.

Diversity



Strategic aim

Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.

Institutions have primary responsibility for determining their own mission, including their relative focus on meeting local, regional, national or international needs. We are committed to supporting institutional diversity. Our aspiration is to secure the development of a range of institutions and a diversity of provision, so that in every area those able to benefit from higher education have access to suitable, high-quality courses.

Our funding method recognises costs associated with small and specialist institutions and particular groups of students. We are also developing funding relationships with a wider range of FECs. The financial health of the sector depends partly on the wider economy, but also on good management by institutions themselves. To help ensure that the sector remains financially healthy, we undertake regular financial monitoring and selective interventions, and promote good practice.

Key achievements to date

- Publication for consultation the plans for establishing the e-University.
- Agreed a long-term funding strategy for small specialist institutions as detailed in HEFCE 00/51, 'Funding of specialist higher education institutions'.
- Published for consultation 'Diversity in Higher Education – HEFCE Policy Statement' (HEFCE 00/33).
- Published for consultation 'Higher Education and the regions: HEFCE policy statement' (HEFCE 01/18).
- Agreed with the RDAs an action plan for encouraging the contribution of HE to regional development.
- Supported a wide range of projects for enabling institutions to restructure in response to pressures for change throughout the R&CF.

Future outcomes

- A diverse sector is sustained partly by recognising warranted cost differences without compromising the principle of comparable funding for comparable activity.
- Relevant regional bodies have greater understanding of how HE can help to meet regional needs.
- Demand for HE programmes both in the UK and overseas expands by developing, for example, the e-University, which will include on-line HE programmes.
- Fewer HEIs where additional financial monitoring is required, as a result of institutional health monitoring.

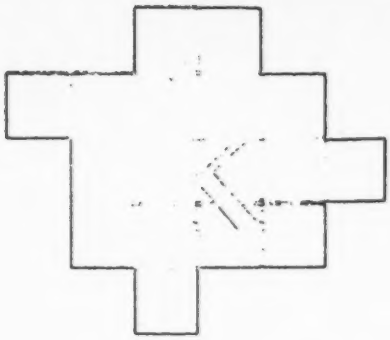
Commitments

- Publish for consultation a statement of HEFCE policy on regional issues by June 2001.
- Manage the allocation and distribution of the Dance and Drama Awards to independent dance and drama schools that qualify for the scheme.
- Support more projects for restructuring throughout the R&CF.
- Each year to evaluate the financial and institutional health of all HEIs, in the light of detailed analysis of financial forecasts and annual accounts.
- Work with the RDAs to encourage HEIs to help implement the RDAs' regional economic strategies and increase their contribution to regional economic development.
- Publish by spring 2001 regional reports on the economic and social contribution of HEIs to their regions.

Key performance targets

- e-University to be operational by end 2002.
- Within eight weeks of an institution being identified as in immediate financial difficulties, to identify the problems and to agree the necessary action.

HEFCE



Organisational aim

Enable our staff to provide a high-quality service, within an open and supportive working environment.

We recognise that the quality of the service we provide to our stakeholders depends on a motivated and well-supported workforce. We want to be counted among the best, practising what we preach by following good management practices and always seeking to improve.

We have completed Phase I: Assessment against the European Foundation for Quality Management (EFQM) Excellence Model and have identified three areas for development, covering our people, processes and information support. Using the model as a holistic framework, we shall continue with the work already in progress on maintaining the Investors in People standard, promoting our knowledge management strategy, and developing our e-business strategy in line with the Modernising Government agenda.

Key achievements to date

- Ninety-eight per cent of suppliers paid within 30 days of receipt of a valid invoice.
- One hundred per cent of profiled grant payments paid in accordance with published schedule.
- The information systems network availability target of 99.2 per cent during working hours was exceeded.
- The Cabinet Office awarded us with beacon status for the development and implementation of our work/life balance policy.
- Eighty-two per cent response rate and 87 per cent overall satisfaction score from the 2000 staff attitude survey.
- Improving the use of space, lighting, colour scheme and communal areas has enhanced the working environment at our Bristol headquarters.
- A recent study (total cost of ownership) showed that we provided an efficient and effective IT service including highly skilled IT staff and value for money in purchasing IT equipment.
- The creation of the knowledge centre, co-ordinating internal and external information.

Future outcomes

- An increasingly effective service to institutions and other stakeholders in the main areas of our work, supported by improved standards of internal service.
- A motivated, skilled and well-supported workforce.

Commitments

- Implement and monitor a business improvement plan, developed from Phase I of the EFQM Excellence Model and to reassess against it in 2001. This will include improvements identified by our 2000 staff attitude survey.
- Implement new staff attitude survey by December 2001, including improved use of external benchmarks.
- Carry out a fundamental review of HEFCE's Strategic Plan by March 2002.
- Implement the activity-based planning and budgeting systems by March 2002.
- Improve electronic communications with HEIs, enabling us to meet the Government's 'information age' targets by March 2002.
- Implement improvements to human resource management and development, including knowledge-sharing with the sector, further development of work/life balance practices and the development of a strategic approach to stress management by March 2002.
- Continue to implement a knowledge management strategy and action plan, embedding knowledge-sharing behaviours into our performance and reward systems by June 2001.
- Develop resources to support colleagues' understanding of the HE sector by September 2001.

Key performance targets

- To be among the top 20 per cent of UK public sector organisations, as measured by the Excellence Model, by December 2004.
- Ninety-eight per cent of payments to suppliers to be within 30 days' receipt of a valid invoice.
- All profiled grant payments paid in accordance with our published payment schedule, to 100 per cent accuracy.

Appendix A

Financial and resource information

Council administrative costs

(£ million)

Financial year	2001-02	2002-03	2003-04
HEFCE running costs	14.5	TBA	TBA

TBA = to be announced

Publicly planned HEFCE sector funding

(£ million)

Financial year	2001-02	2002-03	2003-04
CSR outcome HEFCE grant	4,379	4,558	4,737
Public contributions to fees	460	453	459
Student contributions to fees	338	363	386
OST funding for HEIF	20	20	40
Capital grants			
for IT and other capital	106	154	206
for research	150	154	158
Widening participation funding	115	122	128
Total	**5,568**	**5,824**	**6,114**
Student numbers (FTEs in thousands)	1,028	1,041	1,056

Appendix B

Progress towards key performance targets published in HEFCE's 2000-05 strategic plan

Strategic aim	Key performance target	Progress to 31 March 2001
a. Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.	Through the customer satisfaction surveys, to review and monitor our performance to ensure that we are increasingly working in partnership and providing an effective service. To achieve a ratio of overall satisfaction compared with dissatisfaction of at least 6:1, as measured by the customer satisfaction survey.	An action plan has been agreed as a result of the customer satisfaction survey. Benchmarks have been set for future surveys. Our standards of service will be publicised on our web-site in August 2001. The last customer satisfaction survey was carried out in 1999-2000 and showed a ratio of 6:1. The next survey will be in April 2002.
b. Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.	By 2001, information services for HE will be significantly improved through the launch and further development of HERO.	The HERO site became operational in December 2000.
c. Promote and support productive interaction between HE and business and the community in order to encourage the transfer of knowledge and expertise, and enhance the relevance of programmes of teaching and research to the needs of employers and the economy.	At least 85 per cent of HEIs have a strategy for building their capability to develop links with industry, and begin implementation of their action plans to deliver this in 2000-01.	Over 95 per cent of HEIs have been awarded HEROBC funding. This award requires the HEI to have a strategy for developing links with industry.
	All institutions to be implementing their plans for enhancing the employability of their graduates, as included in their learning and teaching strategies, in 2000-01.	Research into teaching and learning strategies and employability completed in December 2000. Guidance based on existing good practice will be issued to institutions as part of the learning and teaching good practice guide in June 2001. Institutions continue to implement and improve their plans for enhancing the employability of graduates.

Appendix B continued

Progress towards key performance targets published in HEFCE's 2000-05 strategic plan

Strategic aim	Key performance target	Progress to 31 March 2001
c. continued.	Use existing data sources to produce performance indicators for measuring student employability outcomes, to be published in 2000.	Student employability performance indicator developed (data available on the HEFCE web-site from April 2001). HEFCE 01/21 'Indicators of employment' published in April 2001.
d. Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and enhance students' learning experiences and employment prospects.	New quality assurance framework operational in England from 2002.	Contracts for each development stage have been agreed, funded and monitored. Financial report on intensive preparatory works and reports on pilots with institutions. Agreement reached in March 2001 with Universities UK and SCOP on approach to sampling in new method.
	Student numbers in 2000-01 to be within 2 per cent of the Secretary of State's target.	Recruitment in 2000-01 was within 2 per cent of the target.
e. Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.	An improvement on average between the RAE 2001 and the previous exercise in 1996.	Figures will be available in December 2001 after the submissions have been analysed.
	An increase in staff in units rated 5* in the RAE in 2001.	RAE project is on target; assisted institutions to interpret the guidance and make their submissions (April 2001). RAE data application software finalised in summer 2000. Established institutions' submission intentions.
	Improve electronic network provision to research users by enhancing the JANET backbone by 300 per cent by 2001.	SuperJANET 4 backbone was launched in April 2001, enhancing the backbone bandwidth by 300 per cent.

Appendix B continued

Progress towards key performance targets published in HEFCE's 2000-05 strategic plan

Strategic aim	Key performance target	Progress to 31 March 2001
f. Use consultation, research and benchmarking benchmarking to increase knowledge and understanding of higher education, and inform policy development.	In 2001-01 to publish the second tranche of performance indicators.	The second tranche of performance indicators was published in October 2000.
g. Promote effective financial and human resource management, accountability for the use of public funds, and value for money.	By 2004, 75 per cent of all the sector's estate will be classified as A or B (as new or sound, or only minor deterioration).	Support has been provided to HEIs that failed with their third round poor estates bid. The fourth round of the poor estates initiative has been delivered. Estates Management Statistics data for 1998-99 shows that 64 per cent of the sector's estate are now in categories A and B.
	Development throughout the sector of a guidance manual to assist with consistent and transparent costing methodology, by summer 2000.	The guidance manual 'Transparency approach to costing' was published in August 2000.
	Initial reporting on total costs for teaching, research and other activities in aggregate for the sector, by summer 2001.	Pilot universities reported on their costs for 1998-99 in July 2000 and on 1999-2000 in January 2001.
	Improved co-operative procurement arrangements to be in place by 2003.	E-procurement developed rapidly; approach confirmed by JPPSG in June 2001. E-procurement advisor being recruited.
	All HEIs have comprehensive equal opportunities policies and monitoring procedures in place by 2002.	Equality Challenge Unit set up in January 2001. Director appointed February 2001.
h. Contribute to the healthy development of higher education in this country and overseas by learning from international experience, and helping to promote the reputation of UK higher education abroad.	Establish six collaborative programmes in strategic countries involving ourselves and other appropriate national partners, by 2004.	Collaborative programme agreed with Indonesia. Collaborative programmes under discussion with France, Japan, Thailand and Australia. (Previously established programmes that are ongoing include Brazil, China, India, South Africa and US.)

HEFCE 01/43 ☒

Appendix B continued

Progress towards key performance targets published in HEFCE's 2000-05 strategic plan

Strategic aim	Key performance target	Progress to 31 March 2001
l. Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all who can benefit from higher education.	Participation by socio-economic groups currently under-represented in HE rises faster than growth in overall numbers between 1999 and 2004.	Performance indicators covering participation of under-represented groups in higher education were published in December 1999 and October 2000.
	Effective incorporation of FECs providing HE within our funding and quality assurance methods.	The development fund for HE learning and teaching in FECs, has been implemented. Procedures for the quality assurance of HE in FECs developed, and programme and funding will be agreed within negotiations about QAA's service level agreement for the current academic year.
j. Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.	Within eight weeks of an institution being identified as in immediate financial difficulties, to identify the problems and to agree the necessary action.	Achieved.
k. Enable our staff to provide a high-quality service, within an open and supportive working environment.	To be among the top 20 per cent of public sector organisations, as measured by the Excellence Model, by 2004.	Assessment against the Business Excellence Model phase 1 completed. Three improvement projects identified and in progress.
	All profiled grant payments paid in accordance with our published payments schedule, to 100 per cent accuracy over the planning period.	Achieved.
	Ninety-eight per cent of payments to suppliers to be within 30 days' receipt of a valid invoice.	Ninety-nine per cent achieved.

Appendix C

Glossary

Audit Code of Practice	The code describes our minimum audit requirements and those that we consider to be good practice or worthy of consideration
CSR	Comprehensive spending review
DTI	Department of Trade and Industry
DfEE	Department for Education and Employment (now the Department for Education and Skills)
Dual-support system	The major source of research support in UK higher education sector is split between the seven Research Councils and the AHRB. This, along with the direct funding given to universities by the HE funding councils, makes up the dual-support system
Excellence Model	An internationally recognised framework for high-quality management practices
FE	Further education
FEC	Further education college
FTE	Full-time equivalent
Financial Memorandum	The memorandum sets out the terms and conditions for the payment by the HEFCE of funds to the governing body of an institution, out of funds made available by the Secretary of State for Education and Employment
HE	Higher education
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
HEIF	Higher Education Innovation Fund
Help-desk	A central point for external enquiries about the work of the HEFCE and general questions about higher education
HERO	Higher Education and Research Opportunities – an internet portal for a range of users wishing to find information on opportunities and contacts within HE
HEROBC	Higher Education Reach-out to Business and the Community – this initiative aims to ensure that HE is responsive to the needs of business including the wider community, where this will lead to wealth creation.
ILT	Institute of Learning and Teaching
IT	Information technology
JANET	Joint Academic Network – a UK-wide computer network which connects all HEIs and Research Council sites and about 100 FECs
JISC	Joint Information Systems Committee
OST	Office of Science and Technology

Poor estates initiative	HEFCE special funding initiative running from 1998-2005 which aims to improve the condition of academic buildings
QAA	Quality Assurance Agency for Higher Education
RAE	Research Assessment Exercise – an exercise carried out periodically to determine the quality of research in UK HEIs
R&CF	Restructuring and Collaboration Fund – An HEFCE fund to support strategic restructuring and institutional collaboration that improves the sector's capacity to deliver high-quality education and research
Special initiatives	Special initiatives are HEFCE funds for specific activities for a limited period not linked to formula funding allocations
Subject centres	A network of one-stop shops covering all aspects of learning and teaching, for all disciplines across the UK, to identify and share innovation and good practice in learning and teaching
TQEF	Teaching Quality Enhancement Fund

SB 01/48 HEFCE

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